

August 13, 2008

Accounts Settlement for the First Quarter of Fiscal 2008

(on a consolidated basis)

1. Outline of business operations for the first quarter (April 1 to June 30, 2008)

(1) Operating results

(Amounts less than ¥1 million are omitted.)

	Net sales		Operating profit		Recurring profit		Net income	
	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)
First quarter of fiscal 2008	124,843	-	9,152	-	9,428	-	5,163	-
First quarter of fiscal 2007	119,316	12.0%	9,638	11.3%	9,795	4.2%	5,222	5.9%

	Earnings per share (Yen)
First quarter of fiscal 2008	12.83
First quarter of fiscal 2007	12.97

(2) Financial position

(As of end of terms; amounts less than ¥1 million are omitted.)

	Total assets (¥ million)	Net assets (¥ million)	Equity ratio (%)	Net assets per share (¥)
First quarter of fiscal 2008 (June 30, 2008)	548,451	210,345	35.8	487.63
Reference: FY2007 full term (March 31, 2008)	547,237	217,813	37.2	506.02

2. Forecasts for business operations for the fiscal 2008 full term (April 1, 2008 – March 31, 2009)

(Amounts less than ¥1 million are omitted.)

	Net sales		Operating profit		Recurring profit		Net income		Earnings per share
	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(¥ million)	(YoY change)	(Yen)
First half of fiscal 2008	250,000	-	18,000	-	18,000	-	10,200	-	25.34
Reference: FY2008 full term	527,000	3.8%	38,400	(1.0%)	37,500	(2.6%)	21,000	(4.2%)	52.17

3. Business Performance and Financial Results

(1) Business Performance for the First Quarter of Fiscal 2008

During the first quarter (April 1 to June 30) of fiscal 2008, the prospects for the Japanese economy became increasingly cloudy against the backdrop of a slowdown in global economic activity as a result of financial market instability stemming from the U.S. subprime mortgage loan crisis, fears of worldwide inflation due to the sharply rising prices of crude oil and raw materials, and the steep appreciation of the yen against the dollar, which had started in the previous year. The U.S. economy, meanwhile, continued to grow at a moderate pace in spite of the financial sector crisis, thanks to a firm undertone in consumer spending and good growth in exports, fueled by the weakening of the dollar's exchange rate.

In the principal industrial sector in which the Taiyo Nippon Sanso Group is engaged, demand for industrial gases by customers in the electronics sector remained firm, but the high market prices of raw materials, including naphtha, acted as a dampener on demand by the steel and chemicals industries.

Under these circumstances, the Group posted business results for the first quarter of fiscal 2008 as follows: sales of ¥124,843 million (up 4.6% over the same period of the previous fiscal term), operating income of ¥9,152 million (down 5.0% year-on-year), recurring profit of ¥9,428 million (down 3.7%), and net income of ¥5,163 million (down 1.1%). Owing partially to changes in the useful lives of assets accompanying revisions to the taxation system, depreciation expenses increased, leading to increased revenues and decreased earnings in comparison with the previous first quarter.

To raise its performance targets still further and make progress in developing toward a truly global player, the Taiyo Nippon Sanso Group has drawn up the "Stage 10" a new medium-term business plan, of which fiscal 2008 is the first year, and the management and staff are currently working to raise the Group's enterprise value.

(2) Breakdown of business performance by operational segment

Gas Business

In the Gas Business, demand remained firm from the Group's principal customer industries in Japan, and as a result, sales of mainline gases in the Japanese market followed a favorable trend. In the United States, as a result of the sharp increase in the yen's exchange rate compared with the previous term, sales posted a year-on-year decrease. Specialty gases posted sales increases both in Japan and overseas, thanks to brisk shipments to users in the electronics sector. As a result of changes to the useful lives of equipment, accompanying revisions to the tax code, the Company posted increased depreciation expenses on a consolidated basis, which caused operating income to fall below the level of the first quarter of the previous term.

As a result of the foregoing, sales of the Gas Business rose 8.1% year-on-year, to ¥87,114 million, while operating income fell 10.8% to ¥7,228 million.

The Machinery & Equipment Business

In the Machinery & Equipment Business, progress in and completions of major contracts for the construction of air separation plants – for which incoming orders had been following a favorable trend – were generally on schedule during the reporting first-quarter period, and figures exceeded those of the previous year's first quarter. On the other hand, sales of electronic equipment and piping installation work registered a sharp year-on-year decline in reaction to the high level of sales for the same period of 2007. As a result, total sales of this segment were down from the previous first quarter.

Sales of machinery and equipment posted a year-on-year fall of 4.8% to ¥32,195 million, while operating income was down 2.3% at ¥2,203 million.

Housewares Business and Others

New products launched this spring made a strong contribution to sales pushing up total sales of the Housewares Business and Others segment sharply over the previous year. Total sales rose 13.1% year-on-year, to ¥5,533 million, while operating income was up sharply, by 48.9%, at ¥1,098 million.

(3) Breakdown of business performance by geographical segment

Japan

The economy has been weakened by the rising prices of raw materials, but the Group's gas business operations posted firm results. In machinery and equipment, revenues received from major construction projects in which progress was made kept sales as a whole at a robust level, but sales of electronic equipment posted a year-on-year drop in a reaction to the large sales figure posted in the same quarter of 2007. Cutting and welding equipment held firm. In the housewares segment, shipments of sports-use vacuum flasks maintained the previous year's strong pace. Operating income rose over the previous first quarter in spite of an increase in depreciation expenses due to a change in the useful lives of certain assets accompanying a revision of the tax code in 2008.

Total sales in the Japanese market reached ¥97,332 million, up 5.6%, while operating income came to ¥7,404 million, up 3.9%.

North America

Sales of oxygen, nitrogen, and argon held roughly flat at the previous-year level, while sales of specialty gases for semiconductor manufacturing posted growth. On a local currency basis, sales were up year-on-year, but as a result of the yen's appreciation, the sales figure was down from the first quarter of fiscal 2007 after translation into yen.

Sales in the North American market were down 2.2% at ¥20,829 million, and operating income was down 26.1% at ¥1,992 million.

Other Regions

Sales of mainline gases were firm thanks to strong demand in Southeast Asia. Sales of specialty gases in Taiwan maintained a favorable trend. As a result, sales recorded strong growth on a local currency basis. Although the yen's appreciation against all the East Asian currencies had some effect, sales as a whole were still up year-on-year after translation into yen.

Sales rose 15.2% to ¥6,680 million, while operating income was up 3.4% at ¥458 million.

(4) Results by operating segment

First quarter of fiscal 2008 (April 1 to June 30, 2008)

(Millions of yen)

	Gas Business	Machinery and Equipment Business	Housewares Business and Others	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	87,114	32,195	5,533	124,843	-	124,843
(2) Sales from inter-segment transactions and transfers	7	4,916	31	4,954	(4,954)	-
Total	87,122	37,111	5,564	129,797	(4,954)	124,843
Operating profit	7,228	2,203	1,098	10,530	(1,377)	9,152

Notes

1. Segmentation method

Products (whether developed and/or made in-house or by other companies [i.e. bought-in merchandise]) are allocated to one of the three segments of the Gas Business, the Machinery and Equipment Business, and the Housewares Business and Others.

2. The principal products and services included in the three segments are shown in the table below.

Business segment	Main products
Gas Business	Oxygen, nitrogen, argon, carbon dioxide, helium, rare gases such as xenon and neon, hydrogen, medical gases(oxygen, dinitrogen monoxide), specialty gases (semiconductor materials gases, standard reference gas), dissolved acetylene, liquid petroleum gas (LPG), other gases, stable isotopes, equipment lease
Machinery and Equipment Business	Cutting and welding equipment, welding materials, cylinders, semiconductor related engineering/equipment, semiconductor manufacturing equipment, medical equipment, air separation plants (oxygen, nitrogen, argon, rare gases), cryogenic air separation plants, ultra-low-temperature equipment, high-vacuum equipment, pressure swing adsorption (PSA) gas generators, hydrogen generators, gas compressors, gas expanders, liquefied gas storage/pumps, vacuum brazing, atomic power/space development equipment and other related equipment, air-conditioning equipment, drainage treatment systems
Housewares Business and Others	Stainless steel vacuum bottles(household, laboratory), vacuum thermal insulation cooking pans, assembly, processing and inspection of electronic components, maintenance of facilities, other outsourced business

3. Changes in accounting policies

Accounting standards for inventory valuation

For the reporting first quarter, the Company applied the “Accounting Standards for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No. 9 on July 5, 2006). The changes in the accounting standards have no material effect on the income statement.

Unification of Accounting Policies Applied to Foreign Subsidiaries

For the reporting first quarter, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 on May 17, 2006). As a result, operating income decreased ¥358 million for Gas Business, compared with amounts calculated using the previous method.

Application of accounting standards for lease transactions

For the reporting first quarter, the Company applied the Accounting Standard for Lease Transactions (ASBJ Statement No. 13 (June 17, 1993 (Business Accounting Council, First Subcommittee) revised March 30, 2007) and the Implementation Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 (January 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee) revised March 30, 2007). The changes in the accounting standards have no material effect on the income statement.

4. Additional information

Changes in useful life of machinery and equipment

Effective from the reporting first quarter, the Company and its consolidated subsidiaries in Japan have changed their accounting policy for the depreciation of machinery and equipment in line with amendments to the Income Tax Law effective from fiscal 2008.

Accordingly, the useful life of machinery and equipment has been changed to more effectively reflect the actual useful lives.

As a result, operating income decreased ¥533 million for Gas Business, ¥11 million for Machinery and Equipment Business, and ¥2 million for Housewares Business and Others, respectively, compared with amounts calculated using the previous method.

5. Results by geographical segment

First quarter of fiscal 2008 (April 1 to June 30, 2008)

(Millions of yen)

	Japan	North America	Other countries	Total	Eliminations or Corporate	Consolidated
Sales						
(1) Sales to external customers	97,332	20,829	6,680	124,843	-	124,843
(2) Sales from inter-segment transactions	2,253	2,805	875	5,934	(5,934)	-
Total	99,586	23,635	7,555	130,777	(5,934)	124,843
Operating profit	7,404	1,992	458	9,856	(704)	9,152

Notes

1. Principal countries in the North America and Other Countries segments are as follows:

- (1) North America: The United States of America
- (2) Other countries: Singapore, Malaysia, Philippines, China, Taiwan etc.

2. Changes in accounting policies

Accounting standards for inventory valuation

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Unification of Accounting Policies Applied to Foreign Subsidiaries

For the reporting first quarter, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 on May 17, 2006). As a result, operating income on business operations in North America decreased ¥358 million, compared with amounts calculated using the previous method.

Application of accounting standards for lease transactions

For the reporting first quarter, the Company applied the Accounting Standard for Lease Transactions (ASBJ Statement No. 13 (June 17, 1993 (Business Accounting Council, First Subcommittee) revised March 30, 2007) and the Implementation Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 (January 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee) revised March 30, 2007)). The changes in the accounting standards have no material effect on the income statement.

3. Additional information

Changes in useful life of machinery and equipment

Effective from the reporting first quarter, the Company and its consolidated subsidiaries in Japan have changed their accounting policy for the depreciation of machinery and equipment in line with amendments to the Income Tax Law effective from fiscal 2008.

Accordingly, the useful life of machinery and equipment has been changed to more effectively reflect the actual useful lives.

As a result, operating income on business operations in Japan decreased ¥546 million, compared with amounts calculated using the previous method.

6. Notification regarding significant change in owners' equity

Downward adjustment of start-of-term retained earnings

Effective from the first quarter reporting, the Company applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18 on May 17, 2006), and made adjustments necessary for the preparation of consolidated financial statements. As a result of these adjustments, the start-of-term retained earnings amount was reduced by ¥4,506 million to ¥119,886 million.